

Supporting Statement
**FERC-725M, Mandatory Reliability Standards: Generator Requirements at the
Transmission Interface**
Proposed Rule in RM12-16 ¹

In the Notice of Proposed Rulemaking (NOPR) in Docket No. RM12-16¹, the Federal Energy Regulatory Commission (Commission or FERC) proposes to approve Reliability Standards FAC-001-1 (Facility Connection Requirements), FAC-003-3 (Transmission Vegetation Management), PRC-004-2.1a (Analysis and Mitigation of Transmission and Generation Protection System Misoperations), and PRC-005-1.1b (Transmission and Generation Protection System Maintenance and Testing), which would replace currently effective Reliability Standards FAC-001-0, FAC-003-1, PRC-004-2a, and PRC-005-1b. The modifications proposed by PRC-004-2.1a and PRC-005-1.1b are clarifications of existing requirements, do not extend those existing requirements to any new entity or to additional facilities, and do not affect the existing burden (contained in FERC-725A) related to those standards.

The underlying information collection requirements in the Reliability Standards (FAC-001, FAC-003, PRC-004, and PRC-005) are currently approved by OMB under FERC-725A (OMB Control No. 1902-0244).

We are submitting this proposed rule under a new collection number¹ (FERC-725M) and OMB control number because of other rulemakings also affecting the FERC-725A collection and OMB's procedures that only allow one item per Control No. to be pending OMB review at a time. This new collection (FERC-725M) will only contain the information collection requirements that are part of the proposed rule in RM12-16.

**1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION
NECESSARY**

On August 8, 2005, The Electricity Modernization Act of 2005, which is Title XII of the Energy Policy Act of 2005 (EPAAct 2005), was enacted into law.² EPAAct 2005 added a new section 215 to the Federal Power Act (FPA), which requires a Commission-certified Electric Reliability Organization (ERO) to develop mandatory and enforceable Reliability Standards, which are subject to Commission review and approval. Once approved, the Reliability Standards may be enforced by the ERO, subject to Commission oversight.

¹ Note that in the NOPR, the associated collection is listed as FERC-725A (OMB Control No. 1902-0244). However it is being submitted under new FERC-725M instead in order to be able to submit the RM12-16 materials to OMB for PRA review while other FERC-725A items are pending OMB review or planned for submittal.

In addition, the standards being superseded (and the associated burdens) are included in FERC-725A. If and when a final rule in RM12-16 is issued, the burden associated with the existing standards being superseded will be removed from FERC-725A, as appropriate, so it is not double counted.

² The Energy Policy Act of 2005, Pub. L. No 109-58, Title XII, Subtitle A, 119 Stat. 594, 941 (2005), codified at 16 U.S.C. 824o (2000).

Proposed Rule in RM12-16

In several fact-specific cases on appeal from a NERC registration determination, the Commission has addressed the need to apply Reliability Standard requirements, otherwise generally applicable to a registered transmission owner or transmission operator, to the owner or operator of a significant generator interconnection facility or tie-line.

Following a fact-specific case in 2008, NERC formed an Ad Hoc Group for Generator Requirements at the Transmission Interface (Ad Hoc Group) to address concerns about perceived reliability gaps associated with generator interconnection facilities. Later, NERC began a project that culminated in submitting a request to the Commission to approve modifications to several standards pertaining to generator interconnections.

In this proposed rule, the Commission proposes to approve the revised Reliability Standards which, as NERC states:

Represent an improvement over the currently effective standards because they ensure that there are no reliability gaps in (1) the development of Facility connection requirements when a third party requests interconnection to a Generator Owner Facility and (2) the performance of vegetation management on Bulk Electric System Facilities.³

2. HOW, BY WHOM, AND FOR WHAT PURPOSE THE INFORMATION IS TO BE USED AND THE CONSEQUENCES OF NOT COLLECTING THE INFORMATION

The modifications proposed for Reliability Standard FAC-001-1 would extend the obligation to document, maintain, and publish interconnection requirements to any Generator Owner that has an executed agreement with a third party to evaluate the reliability impact of a requested or required interconnection. NERC states that the intent of this modified language is to start the compliance clock when the Generator Owner executes an Agreement to perform the reliability assessment required in FAC-002-1. There is the potential for a reliability gap if FAC-001 is not modified as the reliability impact assessment could be delayed.

The modifications proposed in FAC-003-3 would extend NERC's vegetation management requirements to Generator Owners with qualifying interconnection facilities, including requirements to create and maintain records related to the Generator Owner's vegetation management work plan and performance of inspections. NERC states that:

When it comes to vegetation management, [the generator interconnection lines] should be treated as though they are transmission lines; the risk of outages from vegetation located on a right-of-way for a generator-owned line is similar to the risk for Transmission Owners.

³ See NERC Petition at 4

The documentation related to vegetation management requirements assists respondents to manage vegetation located on rights-of-way and minimize vegetation encroachments. The documentation further provides a way for auditors to evaluate compliance with this standard.

Failure to fill this reliability gap could lead to vegetation-related outages.

3. DESCRIBE ANY CONSIDERATION OF THE USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE THE BURDEN AND TECHNICAL OR LEGAL OBSTACLES TO REDUCING BURDEN

The periodic data submittal to the regional entity is specified in FAC-003-3 under Section C.: Compliance, Subsection 1.4: Additional Compliance Information. This section specifies the minimum information required to be submitted to the regional entity. The eight regional entities have a well-established compliance portal for registered entities to electronically submit compliance information and reports. The compliance portals allow documents developed by the registered entities to be attached and uploaded to the regional entity's portal. Compliance data can also be submitted via data forms on the portals. These portals are accessible through an internet browser password protected user interface.

4. DESCRIBE EFFORTS TO IDENTIFY DUPLICATION AND SHOW SPECIFICALLY WHY ANY SIMILAR INFORMATION ALREADY AVAILABLE CANNOT BE USED OR MODIFIED FOR USE FOR THE PURPOSE(S) DESCRIBED IN INSTRUCTION NO. 2

The information collection requirements are unique to these reliability standards and to this information collection. The Commission does not know of any duplication in the requirements.

5. METHODS USED TO MINIMIZE THE BURDEN IN COLLECTION OF INFORMATION INVOLVING SMALL ENTITIES

Small entities are expected to see a small increase in burden due to the revised requirements in the proposed Reliability Standards.

In general, small entities may reduce their burden by taking part in a joint registration organization or a coordinated functional registration. These options allow an entity to share its compliance burden with other entities.

6. CONSEQUENCE TO FEDERAL PROGRAM IF COLLECTION WERE CONDUCTED LESS FREQUENTLY

There is the potential for a reliability gap if FAC-001 is not modified as the reliability impact assessment could be delayed.

Failure to follow requirements and compliance of FAC-003-2 could lead to additional sustained power outages due to tree-line contact. These types of failures could jeopardize system

reliability. Vegetation contact with transmission lines was a major factor in two significant blackouts in WECC territory in 1996 and the August 2003 Northeast blackout.

7. EXPLAIN ANY SPECIAL CIRCUMSTANCES RELATING TO THE INFORMATION COLLECTION

There are some special circumstances as described in 5 CFR 1320.5(d)(2) related to this information collection.

Some of the requirements in the proposed rule may require entities to review or produce documentation more often than quarterly. These occurrences would be relatively infrequent, and occur primarily in association with compliance spot checks, compliance violation investigations and self-reporting of a compliance violation.

Depending on the timing and details of a particular audit or investigation, some entities may have to retain information and evidence for longer than three years. For example, in proposed standard FAC-003-3, Compliance, it states:

“1.2 Evidence Retention

....

The applicable Transmission Owner and applicable Generator Owner retains data or evidence to show compliance with Requirements R1, R2, R3, R5, R6 and R7, Measures M1, M2, M3, M5, M6 and M7 for three calendar years unless directed by its Compliance Enforcement Authority to retain specific evidence for a longer period of time as part of an investigation.

The applicable Transmission Owner and applicable Generator Owner retains data or evidence to show compliance with Requirement R4, Measure M4 for most recent 12 months of operator logs or most recent 3 months of voice recordings or transcripts of voice recordings, unless directed by its Compliance Enforcement Authority to retain specific evidence for a longer period of time as part of an investigation.

If a applicable Transmission Owner or applicable Generator Owner is found noncompliant, it shall keep information related to the non-compliance until found compliant or for the time period specified above, whichever is longer.

The Compliance Enforcement Authority shall keep the last audit records and all requested and submitted subsequent audit records.”

Similarly, proposed standard FAC-001-1 states that the Compliance Enforcement Authority may direct certain entities to retain specific evidence for a longer period of time as part of an investigation; evidence must also be retained from the last audit.

These special circumstances are necessary to ensure reliability on the bulk power system.

8. DESCRIBE EFFORTS TO CONSULT OUTSIDE THE AGENCY: SUMMARIZE PUBLIC COMMENTS AND THE AGENCY’S RESPONSE

The ERO process to establish Reliability Standards is a collaborative process with the ERO, Regional Entities and other stakeholders developing and reviewing drafts, and providing comments, with the final proposed standard submitted to the FERC for review and approval.⁴ In addition, each FERC rulemaking (both proposed and final rules) is published in the Federal Register, thereby providing public utilities and licensees, state commissions, Federal agencies, and other interested parties an opportunity to submit data, views, comments or suggestions concerning the proposed collection of data.

The proposed rule in RM12-16 was issued on 4/18/2013 and published in the Federal Register on 4/24/2013 (78 FR 24101).

9. EXPLAIN ANY PAYMENT OR GIFTS TO RESPONDENTS

The Commission does not make payments or provide gifts for respondents related to this collection.

10. DESCRIBE ANY ASSURANCE OF CONFIDENTIALITY PROVIDED TO RESPONDENTS

There are no specific assurances of confidentiality mentioned to respondents.

11. PROVIDE ADDITIONAL JUSTIFICATION FOR ANY QUESTIONS OF A SENSITIVE NATURE

This collection does not include any questions of a sensitive nature.

12. ESTIMATED BURDEN OF COLLECTION OF INFORMATION

This rule proposes 1,345 hours per year for the first three years. After year three, the one-time burden hours would be removed leaving only an increase of 369 hours per year.

The total annual cost for the changes is \$73,114, dropping to \$21,882 annually after year 3.

The burden and cost estimates below are based on the increase in the reporting and recordkeeping burden imposed by the proposed Reliability Standards. Our estimate of the number of respondents affected is based on the NERC Compliance Registry as of March 19, 2013. According to the Compliance Registry, NERC has registered 892 generator owners within the United States, and we estimate that approximately 10 percent (or 89) of these generator owners have interconnection facilities that meet the proposed requirements for applicability of the new standard (i.e., having overhead lines that are greater than 200 kV or are part of an IROL

⁴ Details of the current ERO standard processes are available on the NERC website at http://www.nerc.com/FilingsOrders/us/RuleOfProcedureDL/Appendix_3A_StandardProcessesManual_20130626.pdf

or WECC Transfer Path, and that are either longer than one mile or without a clear sightline to the point of interconnection with the host transmission system).⁵

The burden estimates reflect the changes in the standards and the number of affected entities (e.g., the generator owner’s one-time burden to develop, or review and modify, an existing vegetation management program, and the on-going, relatively minor burden of preparing quarterly reports of relevant outages). Estimates for the proposed additional burden imposed by the proposed rule in RM12-16 follow.

FERC-725M, ¹ NOPR in RM12-16	Number of Respondents ⁶ (1)	Number of Responses per Respondent (2)	Average Burden Hours Per Response (3)	Total Annual Burden Hours (1)x(2)x(3)	Total Annual Cost ⁷
FAC-003-3 (Transmission Vegetation Management)					
Strategies, documentation, processes, & procedures (M3)	89	1	32	2,848 (one- time)	\$148,096 one-time [@\$52/hr.]
Quarterly Reporting (Compliance 1.4)	97 ⁸	4	0.25	97	\$6,790 [@\$70/hr.]

⁵ For Reliability Standard FAC-008-3, OMB Control No. 1902-2044, the Commission estimated that 10 percent of registered generator owners own facilities between the step-up transformer and the point of interconnection, and are not already registered as a transmission owner. That ten percent estimate was not challenged. In this instance, for FAC-003-3, the Commission has used that same ten percent figure even though the percentage of generators newly affected by FAC-003-3 will actually be much smaller, because FAC-00303 applies only to those generating facilities with overhead lines that are greater than 200 kV or are part of an IROL or WECC Transfer Path, and that are either longer than one mile or without a clear sightline to the point of interconnection with the host transmission system. Thus, the ten percent estimate is a conservative estimate as applied to FAC-003-3.

⁶ GO = Generator Owner; RE = Regional Entity. The respondents are generator owners, unless otherwise indicated.

⁷ The estimates for cost per hour are derived as follows:

- \$52/hour, the average of the salary plus benefits for an engineer and a forester, from Bureau of Labor and Statistics at http://bls.gov/oes/current/naics3_221000.htm
- \$70/hour, the average of the salary plus benefits for a manager and an engineer, from Bureau of Labor and Statistics at http://bls.gov/oes/current/naics3_221000.htm
- \$28/hour, based on a Commission staff study of record retention burden cost.

⁸ Number of respondents includes 89 generator owners, who may be subject to the recordkeeping and reporting burdens of FAC-003 for the first time, and 8 Regional Entities, who may have a slight increase in recordkeeping and reporting requirements due to the increase in

Annual Veg. Inspect. Doc. (M6); annual veg. work plan (M7); evidence of mgt. of veg. (M1 & M2), confirmed veg. condition (M4) & corrective action (M5)	89	1	2	178	\$12,460 [@\$70/hr.]
Record Retention (Compliance 1.2)	89	1	1	89	\$2,492 [@\$28/hr.]
FAC-001-1 (Facility Connection Requirements)					
Facility connection reqs. (R2, R3, M2, & M3)	5 ⁹	1	16	80(one-time)	\$5,600 (one-time) [@\$70/hr.]
Record Retention ¹⁰	5	1	1	5	\$140 [@\$28/hr.]
Total one-time				2,928	\$153,696
Total reoccurring				369	\$21,882
Annual Total over Years 1-3 (averaging the one-time burden over 3 years)				1,345	\$73,114

13. ESTIMATE OF THE TOTAL ANNUAL COST BURDEN TO RESPONDENTS

entities covered by the vegetation management standard.

⁹ This estimate is based on the slight possibility that a third party will request to interconnect to a generator interconnection facility in the future. To date, only two generator owners have experienced such a request, Cedar Creek Wind Energy, LLC and Milford Wind Corridor Phase I, LLC, and both have subsequently been registered as transmission owners and transmission operators. See *Cedar Creek Wind Energy, LLC*, 135 FERC ¶ 61,241, order on *reh'g and clarification*, 137 FERC ¶ 61,141 (November 17 Order)(2011).

¹⁰ Regional Entities may have a de minimis increase in burden due to the increase in the number of entities potentially subject to the revised standard; that burden has been rolled into the estimated Average Burden Hours per Response.

There is no start-up or other non-labor hour cost associated with the proposed rule. We assume that the information collection requirements associated with this proposed rule can be completed by entities using existing hardware and software. We assume that the recordkeeping requirements are predominately labor costs as the generated records will not require extensive record storage facilities or server space.

14. ESTIMATED ANNUALIZED COST TO FEDERAL GOVERNMENT

The Regional Entities and NERC do most of the data processing, monitoring and compliance work for Reliability Standards. Any involvement by the Commission is covered under the FERC-725 collection (1902-0225) and is not part of this request or package.

The Commission does incur the costs associated with obtaining OMB clearance under the Paperwork Reduction Act for this Collection. FERC estimates the annual cost for this effort to be \$2,250¹¹.

15. REASONS FOR CHANGES IN BURDEN INCLUDING THE NEED FOR ANY INCREASE

In this proposed rule, the Commission proposes to approve the revised Reliability Standards which, as NERC states:

Represent an improvement over the currently effective standards because they ensure that there are no reliability gaps in (1) the development of Facility connection requirements when a third party requests interconnection to a Generator Owner Facility and (2) the performance of vegetation management on Bulk Electric System Facilities.¹²

The following table shows the burden inventory for this ‘new’ collection¹.

FERC-725M	Total Request	Previously Approved	Change due to Adjustment in Estimate	Change Due to Agency Discretion
Annual Number of Responses	97	-	-	97
Annual Time Burden (Hr)	1,345	-	-	1,345
Annual Cost Burden (\$)	-	-	-	-

16. TIME SCHEDULE FOR PUBLICATION OF DATA

¹¹ This is based on an estimate of work done by the Information Clearance team and other FERC staff as well as a non-labor cost related to publishing material in the Federal Register.

¹² See NERC Petition at 4

There are no data publications as part of this collection

17. DISPLAY OF EXPIRATION DATE

It is not appropriate to display the expiration date because the information is not collected on a preformatted form or in any format that would allow for such a display.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

The Commission does not use statistical methods for this collection. Therefore the Commission does not certify that the collection uses statistical methods.